

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
AUGUST 30, 2018**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:04 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Chief Richard Sullivan, Mr. Mark LeBlanc, Sgt. Neal Noel, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, and Mr. Brit Hines – BRFD active member.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of July 26, 2018, and from the Investment Committee meeting of August 14, 2018, and called for a motion.

Motion by Chief Sullivan, seconded by Mr. LeBlanc to suspend the reading of, and approve the minutes of the regular meeting of July 26, 2018, and the minutes of the Investment Committee meeting of August 14, 2018 as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 2, Disability, there was one application for disability retirement as follows:

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| 1. Calvin D. Williams, III | BRFD | Ordinary Disability |
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The Board reviewed the medical report from the medical consultant. Mr. Bernard verified that Human Resources had made every effort to find other employment for Mr. Williams within the City-Parish government, including a position as EMS dispatcher, but with no success.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to approve the application for ordinary disability retirement for Mr. Calvin D. Williams, III in accordance with the recommendation of the medical consultant.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that the report included the ordinary disability retirement just approved, and that the report was unusually long this month. He pointed out a surviving spouse benefit, some paybacks, and an actuarial transfer, and stated that the report was in order as presented. In answer to a question from Mr. Bernard, Mr. Yates explained and gave examples of the process of actuarial transfers from another Louisiana retirement system to CPERS. Ms. Akers also mentioned the option of a reverse transfer and a reciprocal recognition of service.

Motion by Mr. LeBlanc, seconded by Mr. West to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters, Ms. Akers reported that at last month's meeting, the Board looked at proposed withdrawal liability language for the ordinances, as drafted with assistance from attorney Bob Klausner and the System's actuaries. The Parish Attorney's Office had concerns with the original language that was proposed, so the Board asked for the assistance of Bob Klausner, who met with Ms. Akers and Mr. Yates to propose language he was comfortable with for the protection of the plan sponsor and the System. Ms. Akers then reviewed the amended language with the Board, which included a more detailed collection method, as requested by the Parish Attorney's Office. She stated that the plan was to have someone on the Metro Council propose the language for Council approval well before the election that would or would not

approve the creation of the city of St. George. It was noted that the date had passed that would allow an item on the ballot in 2018. Ms. Akers stated that at some point, the Board would need to approve the resolution and the proposed ordinance language amendments. Mr. Toups stated that Mr. Yates, acting as department head, could submit the items to the Council Administrator for introduction, and that it would be advisable to speak to several Council members prior to introduction. Mr. LeBlanc asked whether or not a formal signed opinion letter from Bob Klausner was needed in order to move forward, with Ms. Akers stating that he had handed her an opinion letter, but did not want to submit it directly to the Board because of attorney-client privilege. Mr. LeBlanc stated that he thought the opinion letter could serve to verify that the language could be legally approved without concern that there was any violation of state law. Ms. Hanlon stated that the Parish Attorney's Office's position was that they would not issue an opinion if there was a signed legal opinion expressed by the Retirement Board, which explained the underlying reasoning for the opinion. She stated that an opinion from Bob Klausner was requested, but that it had not been presented to the Board, and that Bob had met with the Parish Attorney's Office and they had some comments about his opinion, indicating they were not in agreement with some things. Ms. Akers expressed that no one from the Parish Attorney's Office was communicating with her, and therefore she did not know they had concerns about Bob's opinion. Ms. Hanlon stated that the Parish Attorney's Office was trying to let the Board handle this matter, and that they believed that only a statutory fix would be binding on St. George. Mr. LeBlanc asked if the Board could get a legal opinion, written by either Bob Klausner or Denise Akers, stating what the law is as it relates to the matter of the St. George incorporation. He stated that if the Parish Attorney wanted to defer to the Board, once the opinion is issued, their office's opinion would be irrelevant, since they seem to not want to get directly involved. Ms. Hanlon reiterated that the Board had not been presented with a signed opinion from Mr. Klausner as requested, and that the Parish Attorney's Office would not opine on the matter unless requested to do so. Mr. LeBlanc stated that he wanted to see a signed opinion letter presented to the Board, clearly stating the position, any case law, and any statutory remedies, and that if the Parish Attorney's Office wished to opine also, that was fine.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to formally request an opinion letter delivered to the Board, prior to the next monthly meeting, signed by the attorneys (Klausner and Akers), and which includes a detailed analysis to back the opinion.

No discussion and no objections.

Motion passed by those members present.

Under Item 6, Committee Reports, the chairman recognized Mr. LeBlanc for his report under 6B, Investment Committee. Mr. LeBlanc stated that at the Investment Committee meeting of August 14, 2018, Summit had presented the second quarter investment performance report. He then gave highlights of the report, which included economic data as well as performance data over various time horizons and asset classes. It was noted that although active management had added alpha, CPERS performed near the lower quartile, as compared to its peers, because of higher exposure to international and emerging markets. A report for the PGT was also verbally presented. Mr. LeBlanc stated that Magnitude Capital made a presentation at the meeting to explain their process, performance, and justification for their fees, as the committee was considering other options. However, in light of the Summit acquisition by Mercer, the committee felt it would be prudent to leave Magnitude in place, at least until another investment consultant could be put in place. It was noted that with the Summit acquisition, there would no longer be a concern about a perceived conflict of interest dealing with Summit Solutions. Both Mr. Toups and Mr. West echoed the comments regarding leaving Magnitude Capital in place.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7C, there were charges from the Law Offices of Akers & Wisbar, LLC, and asked Mr. Smith if the charges were in order, which he confirmed.

Motion by Mr. LeBlanc, seconded by Mr. Toups to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7F, there were a number of investment manager invoices for the Board's review, including both first and second quarter charges. Mr. Smith verified that they were all in accordance with the manager contracts.

Under Item 7G, Cash Flow & Interim Statements of Expenditures, Mr. Drago presented the statement and noted that there had been positive cash flow for the month, and that the Retirement Benefit Adjustment had been paid out. He also noted that as requested, the year to date budget report from MUNIS was attached to the report. Ms. Hanlon stated that the City was behind in contribution payments, but with the new system, they hoped to get current with those.

The next item on the agenda was Item 8, Unfinished Business, and the chairman noted Item 8A, Request by Ms. Beverly Jefferson to Re-evaluate Her Retirement Benefit, and called on Mr. Bernard for an update. Mr. Bernard stated that he had conversed with Ms. Jefferson four times since the last meeting, and that she had requested all her timesheets from Juvenile Services from years back, and that those had been provided to her. She also requested and received a complete work history provided by HR from the payroll system. Lastly, she requested someone from HR to meet with her and go line by line through the documentation, and that had been done in a three hour meeting. Mr. Bernard suggested to her that she

formulate her specific questions rather than having broad open-topic meetings, and those questions would be addressed. He stated that he was at the point of instructing Ms. Jefferson to hire legal counsel if she wants to continue disputing the way her employment was handled. HR had found no errors in their review of her payroll records, and Mr. Bernard stated that HR had done everything they could do to address her concerns. Mr. Yates stated that the Retirement Office staff stood ready to recalculate her benefit and DROP balance, in the event that any creditable service or pay issues are changed. It was noted that there was a statute of limitations of three years in contesting a benefit.

Motion by Mr. Bernard, seconded by Mr. West to delete this item from the agenda.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 8B, Consideration of Drafting a Resolution to Request that the Metro Council Adopt the Retirement Ordinance Language Regarding Withdrawal Liability, and the chairman noted that this item had been covered under the Status on Pending Legal Matters.

Moving to Item 8C, 2017 Professional Consultant Evaluations, the chairman asked that the forms be completed and turned into Mr. Smith as soon as possible.

Moving to Item 9, New Business, the chairman introduced Item 9A, Discussion of Summit Strategies Group Acquisition by Mercer, Assignment of Investment Consultant Contract with AndCo, and Taking any Action Necessary, and recognized Mr. LeBlanc. Mr. LeBlanc stated that this issue was discussed at the Investment Committee meeting of August 14th, and he noted that Mercer did not offer full consulting services to public retirement systems. As part of the acquisition process, Mercer was acquiring both Summit and Pavilion consulting, and that as of the close of the deal Summit would not be able to continue on as CPERS' investment consultant. Foreseeing this situation, Summit screened a number of consulting firms that were similarly situated as themselves, and that they could recommend to existing clients. Mr. LeBlanc stated that when the relationship with Summit officially ends, CPERS would have to have a consultant to continue advising the System, and that a Request For Proposal process would be the responsible thing to do in order to choose a permanent replacement for Summit. He noted that an RFP process was last done in 1997. He stated that CPERS cannot go without a consultant in the interim period, and that he believed AndCo should be the firm to fill in that period until the replacement is named. Ms. Akers stated that AndCo is currently the consultant for two of the other PERS that she advises. It was noted that to accept the assignment of the Summit contract would keep all conditions of the current contract in place which included a 30-day termination notification.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to accept the assignment of the Summit Strategies Group contract to AndCo until the Request For Proposal process is complete, with AndCo invited to participate in that process.

Under discussion, Mr. LeBlanc stated that he and Mr. Yates had discussed the possibility of using a professional third-party firm to facilitate the RFP process for expediency, and because of the importance of the decision. It was agreed that any third-party firm selected would not be eligible to respond to the RFP. There was discussion regarding whether the RFP should be by invitation or be advertised in well-known investment publications. Mr. Yates stated that he could assemble information from independent third-party investment consultant search firms for the next Board meeting.

No discussion and no objections.

Motion passed by those members present.

The chairman then introduced Item 9B, Discussion of Member Retirement Issue Dealing with Healthcare Vesting, and recognized Mr. Toups. Mr. Toups outlined the member's situation, stating that the member had actuarially transferred 22.25 years from LASERS to CPERS, and felt that they were not properly counseled by CPERS regarding the vesting of health insurance. He stated that there was no real remedy to the problem since there was no way to get more than minimum vesting in the insurance plan and complete a five-year DROP, given the limit of 32 years of service plus DROP participation. Discussion continued regarding how CPERS should counsel members regarding vesting in healthcare. Mr. Bernard stated that new employees are given a copy of the healthcare vesting requirements when hired. Mr. Williams noted that CPERS may mention the vesting as a courtesy, much like Social Security, but because of the myriad of member situations, it is impossible to anticipate how the vesting will impact the member until the time of retirement. There was a brief discussion regarding how a member can increase service for vesting purposes, although it was noted that post-retirement service would not count toward insurance vesting. Mr. Williams explained the process by which the Benefits Analysts inform the members of all the deductions from their monthly pension, including the healthcare coverage, and noted that this information cannot be known until the retirement date approaches. No action was necessary for this item.

Under Item 10, Administrative Matters, there were no items for discussion.

The chairman then continued to Item 11, Police Guarantee Trust Matters, and under 11A, PGT Benefits Report, Mr. Yates stated that the report included a larger than usual number of items, and was in order as presented.

Motion by Mr. LeBlanc, seconded by Ms. Hanlon to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

There were no matters under Item 11C, Consultants' Reports.

There were a number of investment manager invoices under Item 11D.1 for the Board's review, and verified by Mr. Smith as being in accordance with the investment manager contracts.

Under Item 11D.2 there were no items to address.

Under Item 11D.3, PGT Cash Activity Report, Mr. Drago stated that the report was in order.

Under Items 11E New Business, and 11F Unfinished Business, there were no items to address.

Under Item 11G, Administrative Matters, the chairman asked the staff to invoice the City-Parish Finance Department for the \$400,000 in PGT employer contributions that are contributed beyond the employer percentage amount. She noted that the actuary assumed the amount would be received early in the year.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Mr. West, seconded by Chief Sullivan to adjourn at 11:17 a.m.

No discussion and no objections.

Motion passed by those members present.

MARSHA J. HANLON
CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR